BETonSPORTS CEO David Carruthers: Victim or Villian?

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With efforts in Washington underway to overturn the Unlawful Internet Gambling Enforcement Act, I decided to look at the state of the industry after what has been the most challenging 18 months in the history of online gambling. The most current United States internet gambling witch hunt started when former BETonSPORTS CEO David Carruthers was picked up by the Feds on July 17th, 2006.

The United States Attorney for the Eastern District of Missouri office, citing the outdated Federal Wire Act of 1961 that was enacted before the internet existed which prohibits the use of a wire communication facility to transmit bets across state or foreign borders, issued a 22 count indictment for David Carruthers, Gary Kaplan, Norm Steinberg and five others. The various charges in the indictment included Racketeer Influenced and Corrupt Organizations Act, interstate transportation of gambling paraphernalia, interference with the administration of Internal Revenue Service laws and tax evasion.

Carruthers currently sits in a cushy St. Louis Hotel Room awaiting trial, unlike BETonSPORTS Founder Gary Kaplan and partner Norman Steinberg. Kaplan was a fugitive for nine months until he was captured in the Dominican Republic and extradited back to Missouri where he sits in a cell awaiting trial after his bail request was denied. Steinberg is hiding out in Costa Rica and has thus far successfully evaded US Authorities. These guys are far from victims of the United States Department of Justice, and more specifically, David Carruthers is the poster child and the very reason why the United States should regulate and tax internet gambling.

David Carruthers was single handedly responsible for the implosion of BoS and his actions alone reignited the heat on the entire internet gambling industry in 2006. While Carruthers pushed for regulations in the United States as the CEO of BETonSPORTS, what ultimately did him in was his own ego and greed. David’s practice of deceiving everyone in the end victimized everyone including all of his employees, all of his players, the government of Antigua, his own board of directors (who had to clean up the mess as best they could once things started to implode), his shareholders, Kaplan and ultimately the entire online gaming industry.

Carruthers was wandering around accusing other well margined organizations of being over leveraged at the same time as he was running his group way more over leveraged. That is not only deceitful to his players, investors, regulators, the exchange, the media, the industry and his own employees but ultimately was the cause of the calamitously swift implosion when David was picked up by the Feds in the first place.

Some stupid things David Carruthers did as CEO of BETonSPORTS include:

1.) Maintained large credit betting accounts which had no likelihood of ever being settled and which most likely were kept to give illusion of higher financial performance, including business which were for the sole benefit of parties related to the founders. The ongoing inflation of results is illustrated by the profit warning immediately following the BETonSPORTS IPO.

2.) Bought assets such as VO Group, EasyBets and Hooball to give bump to the stock. These acquired assets were perceived as reasonable value by the shareholders and advisors at the time of the transactions but after closing on the deals Carruthers blocked attempts by his management team to fully integrate and control them thus failing to achieve the best value for shareholders.

3.) Siphoned money out of deals into his own pockets which in hindsight seems to be the real reason for the acquisitions in the first place. Point-Spreads.com sources in Costa Rica indicate that several shell entities controlled by David Carruthers were used to pay out ad deals and to settle financial matters of subsidiaries of BETonSPORTS.

4.) Overpaid for marketing prior to the arrival of the management team imposed on him by the non-executive directors of BETonSPORTS following the profit warning. It was the new management that brought in a strong internet and complete marketing strategy.

5.) Arrogantly poked powers that be in the United States that he was invincible going so far as to challenge politicians to debate the subject of regulated internet gambling on live TV. The industry and BoS would have been better served if he had kept his head down and swallowed his ego and allowed his management team to continue their drive to turn BoS into a first class operation.

6.) Failed to disclose all the risks and issues to the market at IPO. The vast majority of indictments against BoS are pre – IPO. Why did David fail to disclose or deal with the situations? Was Carruthers so desperate that he hid the truth?

7.) Failure to disclose to his colleagues that there was an ongoing Grand Jury investigation into BoS and failing to have any strategy to deal with it.

8.) Misled the Antiguan Government and regulatory body as to the health of BoS, causing them undeserved embarrassment and loss of credibility and now basing his defense on their case with the WTO.

9.) Took a flight through the US and visited the US regularly to meet with individuals being interviewed by the Federal Grand Jury thinking he was above the law. The worst part about this is that Carruthers did not have a strategy in place to deal with any potential fall out.

Despite all of the above listed stupidity, Carruthers was close to getting away with it, if he had had more time as the management team beneath him had almost exorcised all the demons and started to rebuilt a solid reputation and received the begrudging respect of its peers. Sadly the same management were left holding the crying baby when Carruthers final act of stupidity brought down the house of BoS. BoS directors Clive Archer and Richard Creed have taken the brunt of the blame for the downfall of BETonSPORTS when it is clear to Point-Spreads.com now that they were the good guys all along in this sordid tale. Both continue to work unpaid to try and recover funds so that players and staff will see some of their money back.

If David Carruthers was set free tomorrow, his troubles would just be getting started. While some in the online gambling industry might consider welcoming him back with open arms, David will have to worry about settling up with angry sports bettors, his former staff in Costa Rica and regulators in Antigua assuming he escapes the grasp of the DoJ. For starters, if Carruthers is able to get out of his legal situation in the United States, he will have to explain to regulators what happened to BoS's Asia Business assets after he was arrested.

Apparently the shell corporations and subsidiaries that were set up to act as intermediaries between BoS PLC and Easy Bets were actually controlled by Carruthers and these entities stopped generating revenue for their parent company upon David’s arrest. Where did all that money go?

Who is bankrolling Carruthers legal defense and pricey hotel stay in Missouri? I am sure BoS players and employees sure want to know the answer to that question. It is estimated that BETonSPORTS owed $12 million in player deposits, owes employees in Costa Rica close to $6 million and is owed in excess of $10 million from third parties predominantly payment processors who are doing everything they can to avoid repayment. One such processor has been heard at trade shows bragging he bought his $2 million house in Germany with BoS Money. Point-Spreads.com sources in Central America have indicated that Carruthers is currently being bank rolled by the founder and CEO of Easy Bets, Tim Lambe.

In the end, Carruthers apparently lied to everyone about the solvency of BoS. David Carruthers should have had all the players money and then some in the bank, especially since the internet gambling industry was running in its sweetest cycle ever when he was arrested in Dallas. The internet gambling industry needs to shake away its shady roots and in many ways the destruction of the once mighty BETonSPORTS Group can serve as the industries donation or symbol to that cause.